

Report of the Chief Executive and the Director for Corporate Support to Council 1 March 2010

1. INTRODUCTION

1.1 The spending plans presented in the report '2010/11 Revenue Budget (Revenue and Capital)' on 9 February 2010 gave a net revenue budget requirement of £202.626m against anticipated resources available, hence a proposed target budget, of £201.825m. Cabinet, in considering the report, resolved that:

- The proposed target budget requirement for 2010/11 be recommended to Council, subject to the consultation and scrutiny process;
- The Officers be requested to identify further savings in advance of the 1 March 2010 Council meeting to arrive at the required budget requirement.

1.2 The update report submitted to this meeting outlines proposals to reduce net revenue spend by £0.410m to £202.216m through proactive treasury management action which will reduce our overall capital financing costs.

1.3 Final amendments are now proposed to the Revenue Budget 2010/11, including a review of the reserves position, as a result of the latest monitoring of the 2009/10 budgets.

1.4 In compliance with legislation, it is the responsibility of the Council's Section 151 Officer to recommend a balanced and robust budget for approval.

2. THE GENERAL FUND REVENUE BUDGET

2.1 Revenue Out-turn 2009/10 & impact on reserves

2.1.1 The latest budget monitoring position, as at the end of January 2010, shows a forecasted year end overspend of £3.146m. A full budget and performance monitoring report will be presented to Cabinet on 16 March 2010.

2.1.2 Directors have enacted a number of delivery plans within the current financial year to drive through budget savings. However a number of exceptional costs incurred, such as enabling the housing stock transfer, and increased service pressures in such areas as safeguarding children and adult social care, has made it difficult to achieve a balanced budget.

2.1.3 We have maintained a focus over recent years to build, and retain, adequate working balances and improve our overall Use of Resources assessment. With this in mind, we propose that the final end of year overspend be funded through:

(a) The council has been working in partnership with PriceWaterhouse Coopers to reclaim VAT brought about through changes in legislation, which has successfully resulted in a 'one-off' repayment of £2.14m from HM Customs of Excise. This has been detailed in previous monitoring reports throughout the year and Cabinet have previously approved that this amount be transferred to reserves, subject to the final position for the year;

(b) We have recently received notification of a further Local Authority Business Growth Incentive (LABGI) grant of £0.229m for 2009/10. As in previous years, we have continued to use existing revenue budgets in 2009/10 to support the local economy and we again intend to use this new grant allocation as part of the year end adjustment;

(c) Within the budget monitoring forecasts for the Development and Regeneration department we have accounted for a Housing and Planning Delivery Grant of £0.375m. The council has recently received notification of an additional £0.374m Housing Planning Delivery Grant allocation for 2009/10 which, to date, has not been accounted for in current budget monitoring;

(d) Continued departmental management action to reduce spend up to 31 March 2010 (and beyond)

| Revenue Budget 2009/10 Out-turn Summary | | |
|---|---------------|---------------|
| | £000's | £000's |
| Projected overspend @ end of January 2010 | | 3,146 |
| <u>Adjustments for end of year out-turn</u> | | |
| VAT Fleming repayment | (2,144) | |
| LABGI allocation for 2009/10 | (229) | |
| Additional Housing Planning Delivery Grant | (374) | |
| | | (2,747) |
| 2009/10 End of year revenue overspend | | 399 |
| <i>* Departments will continue to manage spend down for the remainder of the financial year</i> | | |

- 2.1.4 If Directors and Departmental Management teams are unable to achieve reduced spend to balance the budget by 31 March 2010, any residual amount would have to be funded through working balances.
- 2.1.5 In contrast to this, if departments over-achieve the year end savings target, any resulting surplus will be allocated to the Council's Waste Management Reserve.
- 2.1.6 In compliance with our Medium Term Financial Strategy, we aim to retain the Council's working balance at a level exceeding 5% of net revenue budget. Our forecast working balance at 31 March 2010 is £11.517m which is approximately 5.7% of our 2010/11 net revenue budget.

2.2 2010/11 Revenue Budget requirement / spending plans

- 2.2.1 The revenue budget for 2010/11 has allocated additional funding to corporate improvement priorities including areas of existing budget pressures. This additional funding, along with the stated budget Delivery Plans, will minimise the risk of further overspending in 2010/11. However, as stated in the budget papers, as per all public sector organisations, significant funding constraints will apply from 2011/12 onwards and, as such, the council needs to consider and implement invest to save opportunities throughout 2010/11.
- 2.2.2 The original report to this meeting outlined that further work on the budget would continue right up to the Council meeting in order to identify additional delivery plans to achieve the target budget.
- 2.2.3 The target budgets that we have provided to departments set a challenging agenda which will require significant change in a number of areas in order to deliver a balanced budget for 2010/11 and ensure that we have a robust financial framework for the medium to long term. This is evidenced in the departmental delivery plans for which monitoring will be incorporated within the existing bi-monthly reporting process.
- 2.2.4 We have already identified additional savings of £0.410m through specific actions around restructuring our borrowing and investments. For example, buying back the Plymouth City Council element of debt from Devon County Council.
- 2.2.5 We have recently had a further strategic meeting with our Treasury Management advisors, Arlingclose, through which we have identified an action plan to drive further efficiencies and financial savings of approximately £0.130m. Our complete action plan for Treasury Management investing and borrowing activity in 2010/11 now aims to achieve savings of £0.540m through:

- Looking to buy back Devon Debt of Circa £34m at an average borrowing rate of 5.4% and rescheduling this borrowing at cheaper rates;
- Optimising the use of current temporary borrowing rates of less than 0.5% to maximise efficiencies in funding operational cash flow;
- Re-negotiate rates of return from daily cashflow held and short term investments made through the councils 'call accounts';
- Restructure and reschedule Public Works Loan Board (PWLB) fixed rate loans;
- Considering investment returns from medium term European Investment Bonds (EIB)

All of this activity is within the approved framework of our revised Treasury Management Strategy which has been adopted through the 2010/11 budget setting process.

- 2.2.6 We have, for some time, have been forecasting and reporting that Plymouth City Council's formula grant allocation for 2010/11 would be 2.5%. However, the actual value of specific grants is more volatile and difficult to predict as we are notified of such grants at different time periods from different government departments. The total amount of Area Based Grant (ABG) that the council will receive in 2010/11 has now been verified as £0.068m greater than the figures produced in the 9 February 2010 Revenue and Capital budget report.
- 2.2.7 Within the prioritised additional revenue budget allocations for 2010/11, the council set aside £1.200m to account for the revenue impact and costs associated with the Housing Stock transfer. We have constantly challenged and reduced this figure down through reducing relevant spend wherever possible. We are now proposing to reduce the amount spent on Corporate Support Services linked to housing stock transfer activity by a further £0.093m.
- 2.2.8 As previously reported, we have successfully applied for a capitalisation direction for up to £2m to meet the costs of any pension strain payments incurred in 2009/10. This capitalisation will enable the council to carry forward approximately 50%, £0.500m, of the redundancy revenue reserve that was created as part of the 2009/10 budget setting. We have budgeted for an additional revenue contribution of £0.552m in 2010/11 which represents costs that will be incurred from reducing staffing linked to the revenue budget delivery plans. The ability to carry forward a larger element of the 2009/10 redundancy reserve has enabled us to reduce the 2010/11 allocation into this reserve by £0.100m.
- 2.2.9 A summary of the final revenue spending plans for 2010/11 showing movements from the original budget papers produced on 9 February is as follows:

| Revenue Budget Spending Plans for 2010/11 | | |
|--|---------------|----------------|
| | £000's | £000's |
| Updated Spending Plans @ 9 February '10 | | 202,626 |
| Reduced spend identified in update report distributed for this meeting | | (410) |
| Revised Spending Plans | | 202,216 |
| <u>Adjustments made to final spending plans</u> | | |
| Additional treasury savings post ArlingClose | (130) | |
| Spend offset through Additional ABG | (68) | |
| Reduce support costs - housing stock transfer | (93) | |
| Reduce cont to 2010/11 redundancy reserve | (100) | |
| | | (391) |
| Final Revenue Spending Plans for 2010/11: | | 201,825 |

2.3 Revenue Resources and Council Tax

2.3.1 Budget papers produced on 9 February 2010 detailed estimated revenue resources from formula grant of 2.5% and assumed modelling of a Council Tax increase of 3% (as stated in the Council's Medium Term Financial Strategy March 2009)

2.3.2 Subsequent to the original papers, the council is now able to report on two favourable variations to the overall revenue resources available for 2010/11:

(a) Confirmation that the council's Council Tax Collection Fund is expected to return a surplus of £0.089m

(b) A re-calculation of the final Council Tax figures has identified a favourable variation of £0.013m

2.3.3 The combined result from these variations is an increase in overall revenue resources of £0.102m in addition to the £201.825m previously reported as being available for 2010/11. As spending plans have been developed based on a resource assumption of £201.825m, the council has utilised the additional £0.102m resources to reduce the level of Council Tax.

2.3.4 An amended Appendix B detailing the impact of the proposed 2010/11 Council Tax for each band of property will be circulated at the meeting.

2.4 Impact on the Net Budget Requirement

2.4.1 The changes outlined in this report will result in minor changes to departmental spend. The final revenue allocations for 2010/11 is shown in Appendix A.

2.4.2 No material amendments have been made to the council's five year Capital programme from the information provided within the 9 February 2010 budget papers (including the supplementary paper detailing the capitalisation direction of £7.8m)

3. EFFICIENCY TARGETS – National Indicator NI179

3.1 Update on efficiencies achieved to date

3.1.1 The council has a good track record at achieving government efficiency targets. We successfully exceeded the Gershon efficiency targets required under Comprehensive Spending Review (CSR) 2004 (which covered the three year period 2005/06 to 2007/08)

3.1.2 Under CSR 2007 we, as all councils in the country, have to identify cashable efficiencies of 4% per annum for the three year period 2008/09 to 2010/11. This is a challenging target, but essential to achieve in order to ensure financial stability in the current climate.

3.1.3 We reported on 9 February 2010 that, to date, we have achieved cumulative efficiencies of £7.2m against the current CSR target. In liaison with the Department for Communities and Local Government, (DCLG), we can now confirm that this figure has increased to £9.6m as at 26 February 2010.

3.2 Future Plans for further efficiencies and Value for Money

3.2.1 Moving forward, we continue to engage with, and support, all departments to drive out further efficiencies and obtain value for money. The vast majority of the Delivery Plans that have been set in support of the 2010/11 revenue budget rely on delivering such efficiencies which will form the backbone of next year's robust value for money and efficiency programme.

3.2.2 In addition to the new Delivery Plans, we are confident that there are several efficiency savings that have been implemented during 2009/10 that have not been included within our cumulative figure of £9.6m to date. Examples include managing increased workloads within customer facing areas such as revenues and benefits whilst reducing spend and reducing support services expenditure in a number of departments whilst maintaining and improving service delivery.

3.2.3 We will continue to work with our internal and external auditors and liaise with DCLG to increase our substantiated efficiency saving and progress towards our three year CSR cumulative target. To improve visibility of progress, we will incorporate monitoring of efficiency savings within the council's bi-monthly performance and finance reporting throughout 2010/11.

4. **MEDIUM TERM FINANCIAL STRATEGY & BUDGET BOOK**

4.1 The Medium Term Financial Strategy (MTFS) was originally agreed in March 2008 and updated in March 2009. The strategy will be further revised and updated following approval of the 2010/11 revenue and capital budgets on 1 March 2010, and the setting of the Council Tax for the coming year.

4.2 Within this strategy, we will retain our focus on providing strong financial management, driving value for money and efficiencies, promoting accountability and ownership, managing risks effectively and continuing to improve our income collection rates.

4.3 In support of this budget, as in previous years, the council will produce a detailed budget book which will be published by 31 March 2010.

Barry Keel
Chief Executive

Adam Broome
Director for Corporate Support

SPENDING PLANS 2009/10 AND 2010/11

| 2009/10 | Service Description | Gross Expenditure | Gross Income | 2010/11 Spending plans |
|---------------------|---|--------------------|----------------------|------------------------|
| £ | | £ | £ | £ |
| | <u>Children and Young People</u> | | | |
| 0 | Schools | 154,902,213 | (154,902,213) | 0 |
| 893,676 | Funded Programmes | 18,509,420 | (17,757,467) | 751,953 |
| 3,498,224 | Performance and Policy | 4,090,496 | (770,406) | 3,320,090 |
| 9,351,561 | Learner and Family Support | 31,667,265 | (22,345,416) | 9,321,849 |
| 11,557,775 | Lifelong Learning | 33,013,154 | (21,691,349) | 11,321,805 |
| 25,647,565 | Social Care | 30,267,470 | (2,522,342) | 27,745,128 |
| 100,000 | Building Schools for the future | 300,000 | 0 | 300,000 |
| 51,048,801 | Total Children and Young People | 272,750,018 | (219,989,193) | 52,760,825 |
| | <u>Corporate Items</u> | | | |
| (27,306,494) | Other Corporate Items | 1,394,409 | (29,273,881) | (27,879,472) |
| 1,600,000 | Corporate Items - major projects | 3,002,000 | 0 | 3,002,000 |
| 10,791,955 | Capital Financing | 15,977,679 | (5,300,194) | 10,677,485 |
| (14,914,539) | Total Corporate Items | 20,374,088 | (34,574,075) | (14,199,987) |
| | <u>Community Services</u> | | | |
| 70,949,124 | Adult Health and Social Care | 91,507,598 | (18,791,275) | 72,716,323 |
| 1,840,935 | Public Protection services | 4,232,826 | (2,261,491) | 1,971,335 |
| 9,800,594 | Culture Sport and Leisure | 14,989,590 | (4,432,408) | 10,557,182 |
| 22,809,456 | Street services | 38,683,267 | (15,105,892) | 23,577,375 |
| 1,556,104 | Safer Communities | 2,281,706 | (733,000) | 1,548,706 |
| 2,932,457 | Service, Strategy and Regulati | 2,529,423 | (44,129) | 2,485,294 |
| 109,888,670 | Total Community Services | 154,224,410 | (41,368,195) | 112,856,215 |
| | <u>Corporate Support</u> | | | |
| 179,763 | Departmental Management | 180,005 | 0 | 180,005 |
| 15,418,293 | Finance, Assets & Efficiencies | 108,782,454 | (93,576,831) | 15,205,623 |
| 3,126,635 | HR Organisational Development | 4,032,290 | (1,077,955) | 2,954,335 |
| 6,403,457 | ICT information systems | 7,196,324 | (1,164,963) | 6,031,361 |
| 2,119,114 | Customer Services | 2,130,654 | (5,125) | 2,125,529 |
| 5,797,185 | Democracy and Governance | 6,933,399 | (1,070,927) | 5,862,472 |
| 33,044,447 | Total Corporate Support | 129,255,126 | (96,895,801) | 32,359,325 |
| | <u>Development and Regeneration</u> | | | |
| 1,444,437 | Planning Services | 3,179,788 | (2,030,359) | 1,149,429 |
| 3,265,818 | Strategic Housing | 4,571,166 | (1,455,060) | 3,116,106 |
| 597,431 | Business Support | 39,901 | 0 | 39,901 |
| 11,903,152 | Transport | 19,987,870 | (7,349,646) | 12,638,224 |
| 315,265 | Waste Management Project Team | 1,090,202 | (569,160) | 521,042 |
| (2,114,660) | Property & Economic Developmen | 4,602,223 | (5,898,236) | (1,296,013) |
| 15,411,443 | Total Development & Regeneration | 33,471,150 | (17,302,461) | 16,168,689 |
| | <u>Chief Executive</u> | | | |
| 1,480,803 | Policy Performance and Partner | 1,751,169 | (446,872) | 1,304,297 |
| 565,463 | Corporate Communications | 667,282 | (91,700) | 575,582 |
| 2,046,266 | Total Chief Executive | 2,418,451 | (538,572) | 1,879,879 |
| 196,525,088 | Total Council Revenue Budget | 612,493,243 | (410,668,297) | 201,824,946 |